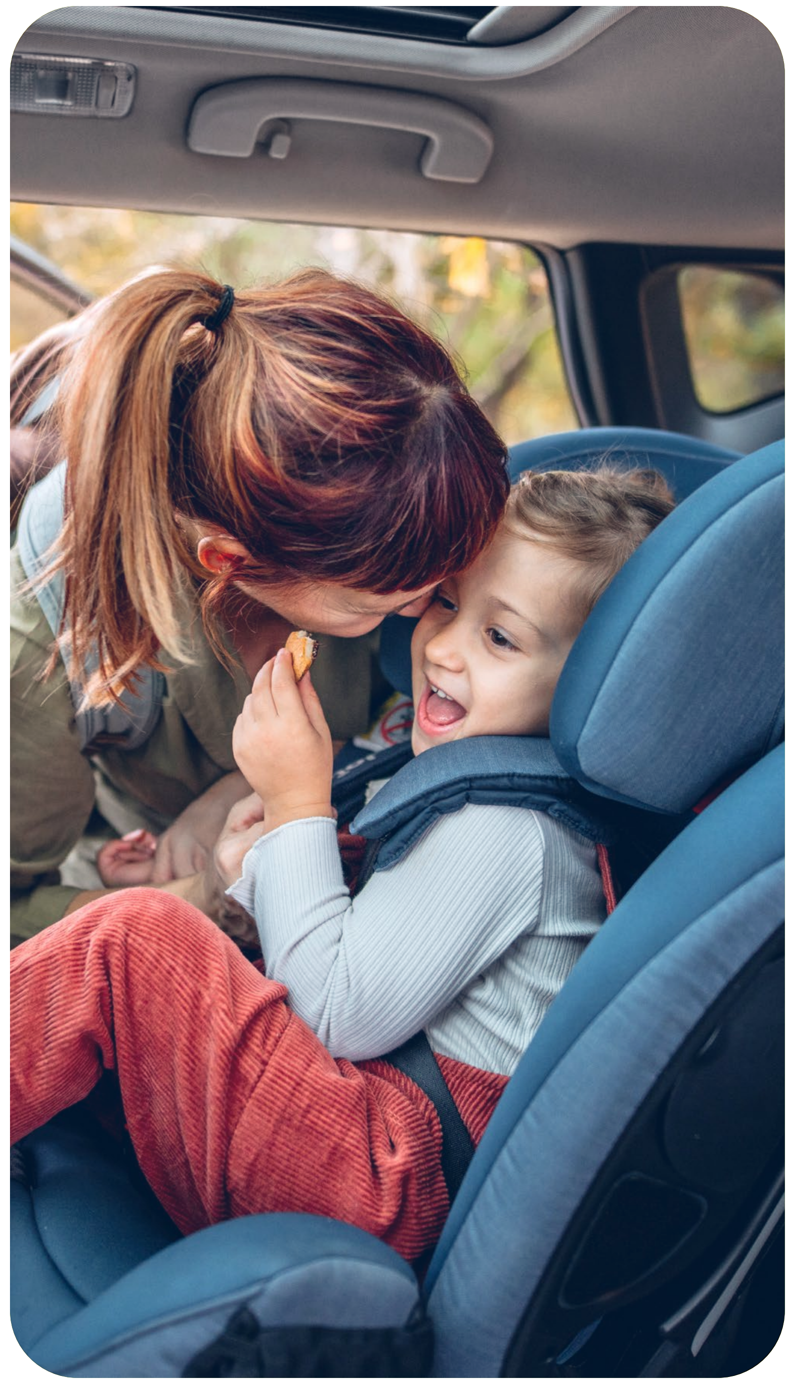
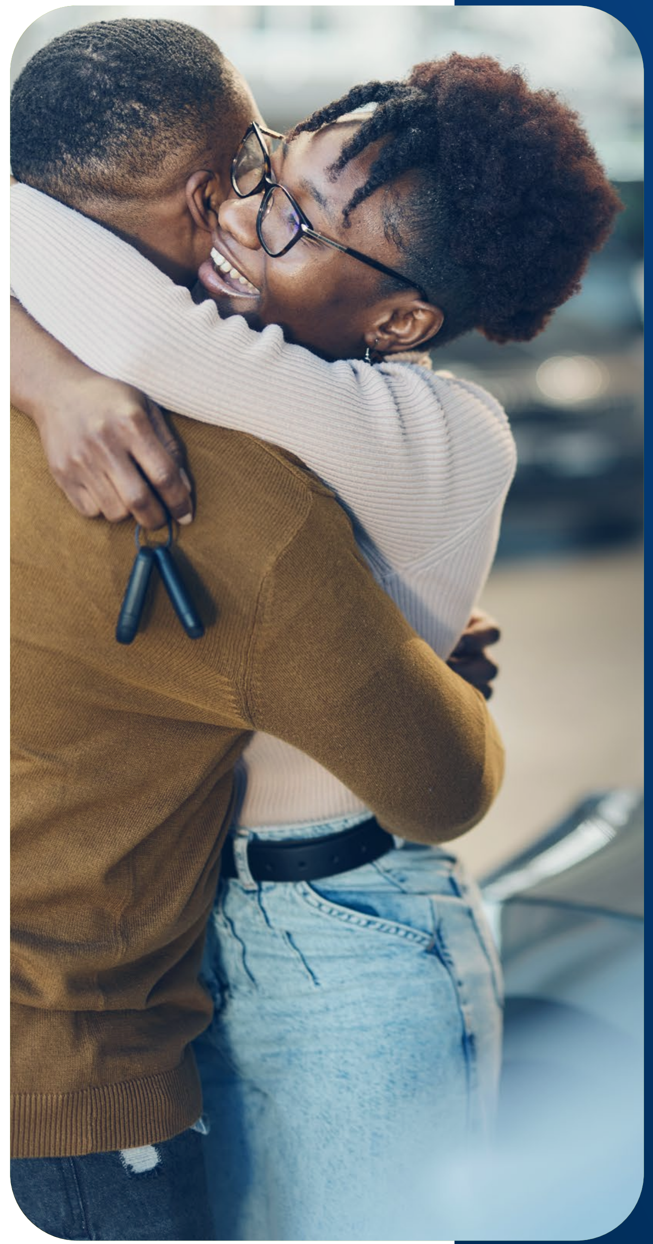
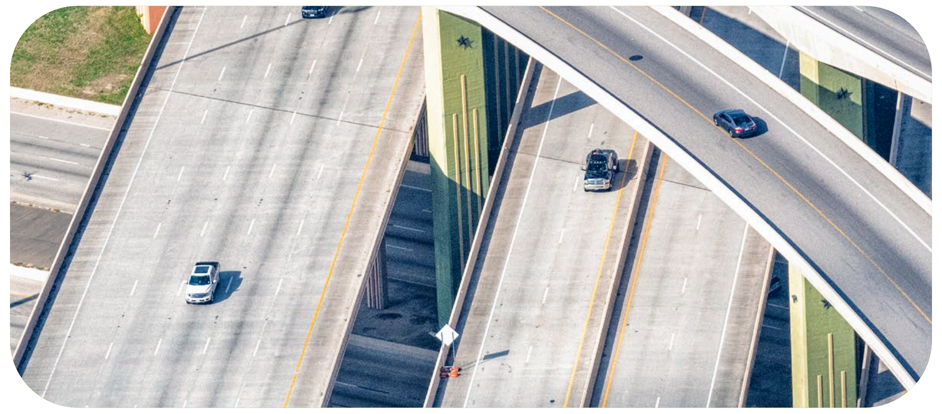
FINANCING THE FUTURE

Millennial and Gen Z Consumer Borrowing Habits and Credit Outlook

OpenLending TransUnion







Open Lending, a leading company in automotive lending innovation and advancing vehicle accessibility, and TransUnion, a trusted global information and insights company with automotive lending solutions and services, collaborated to learn more about millennials and Gen Zers from a credit and financing perspective.

METHODOLOGY

TransUnion provided Open Lending with data on consumers with two or fewer trade lines on their credit reports, with one trade line being automotive (referred to in the report as “thin-file” consumers). The control group consisted of consumers with three or more trade lines on their credit report (referred to as “established” consumers). The data reviewed was from June 2021, along with snapshots through June 2023. For this research, millennials were classified as those born between 1980 and 1994. Gen Zers were classified as those born between 1995 and 2010.

TOTAL
4,355,504
Consumers

THIN-FILE
1,855,504

536,559 Millennial
713,047 Gen Z

ESTABLISHED
2,500,000

674,033 Millennial
192,371 Gen Z

Slimmer Credit Mixes Present an Opportunity for Lenders

Millennials and Gen Zers were twice as likely to be thin-file consumers than Gen Xers, baby boomers, and those in the silent generation. Once they become established consumers, millennials and Gen Zers primarily have automotive loans, bank cards, credit cards, and student loans in their credit portfolios.

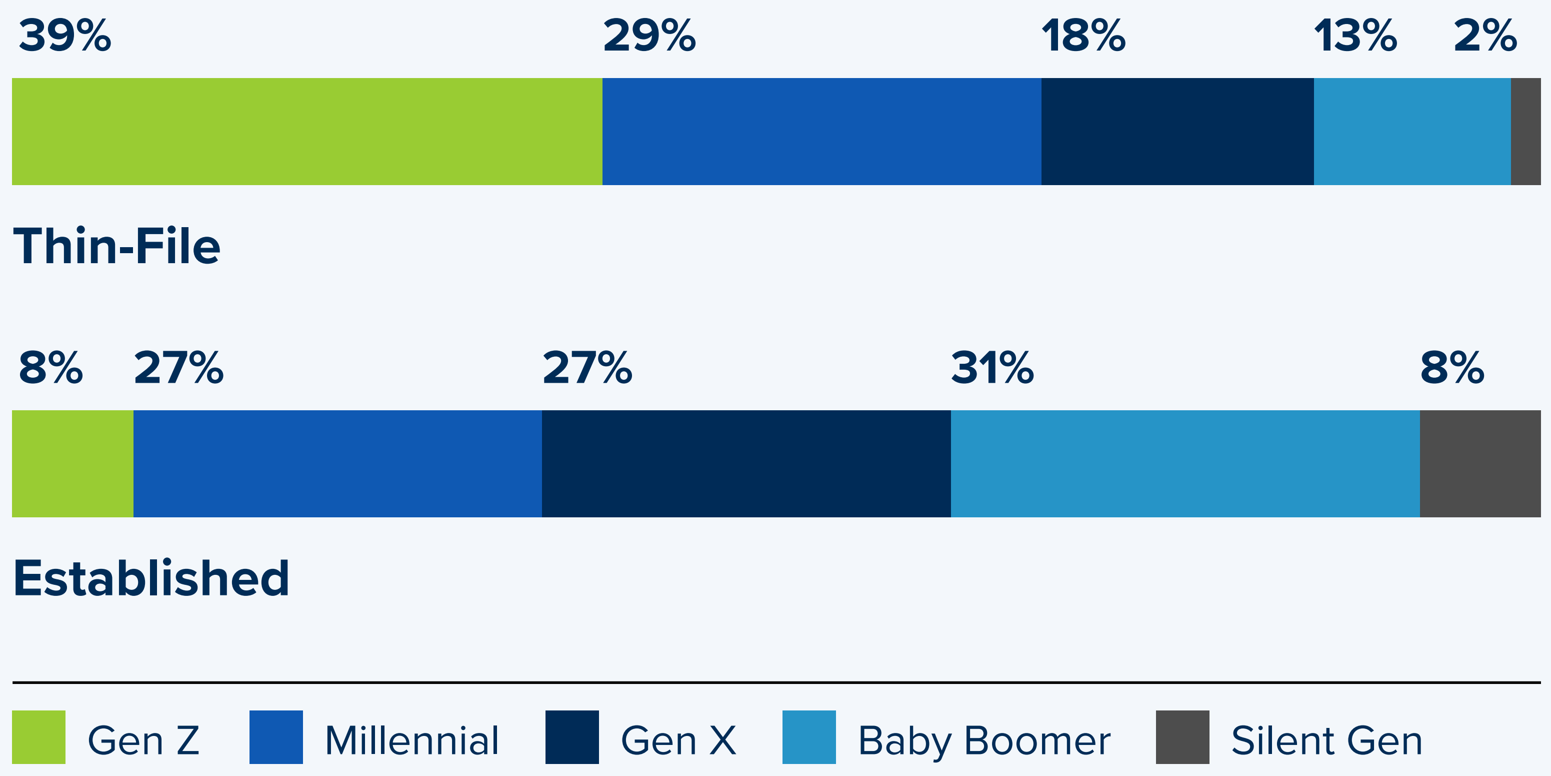
631

Average VantageScore® 4.0 for thin-file consumers

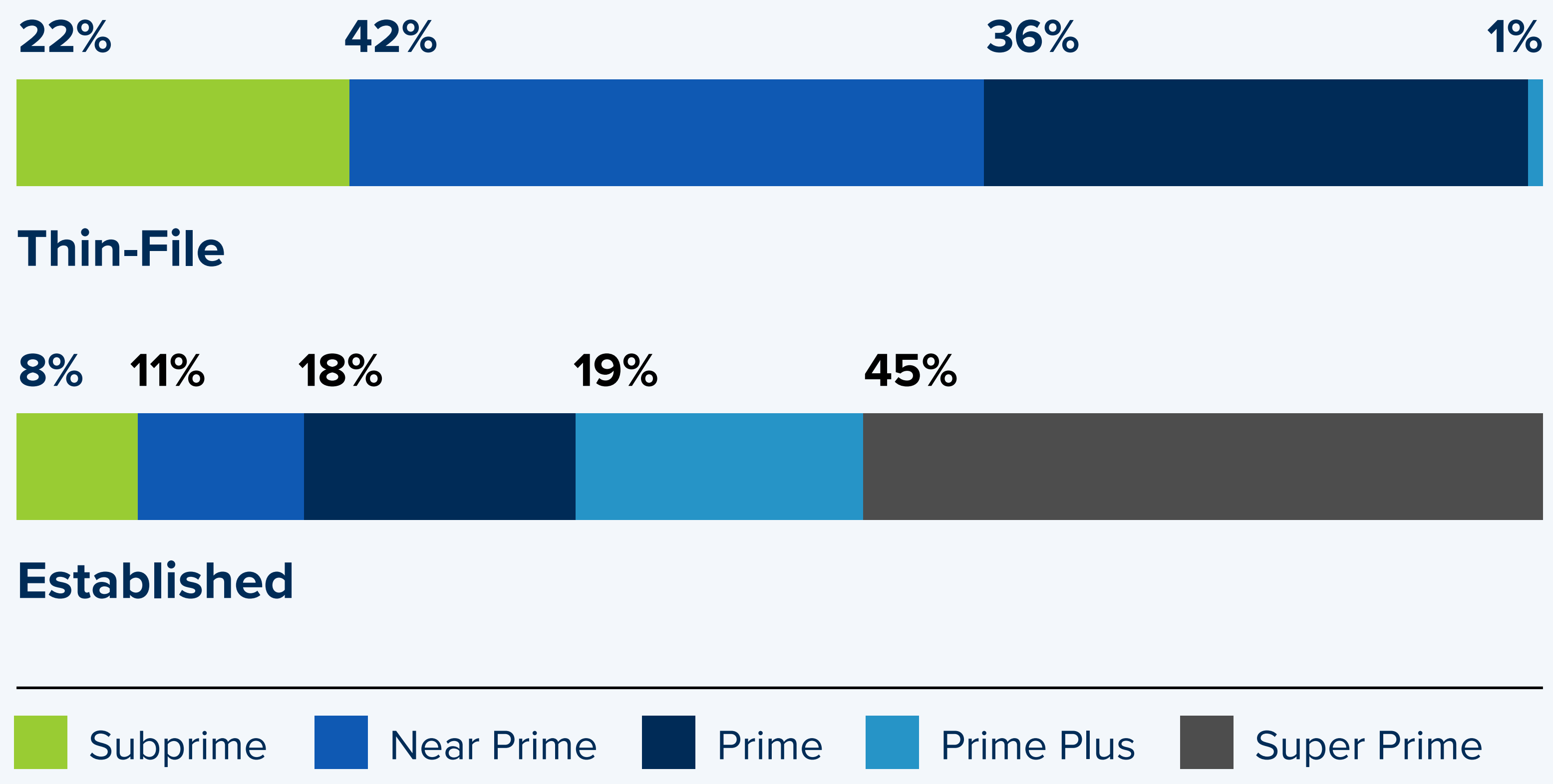
739

Average VantageScore® 4.0 for established consumers

CONSUMERS BY GENERATION AS OF JUNE 2023



CONSUMERS BY CREDIT TIER AS OF JUNE 2023



KEY TAKEAWAY

While millennials and Gen Zers make up the majority of thin-file credit profiles, they may present an opportunity for lenders who recognize the longer lifetime value within this cohort.

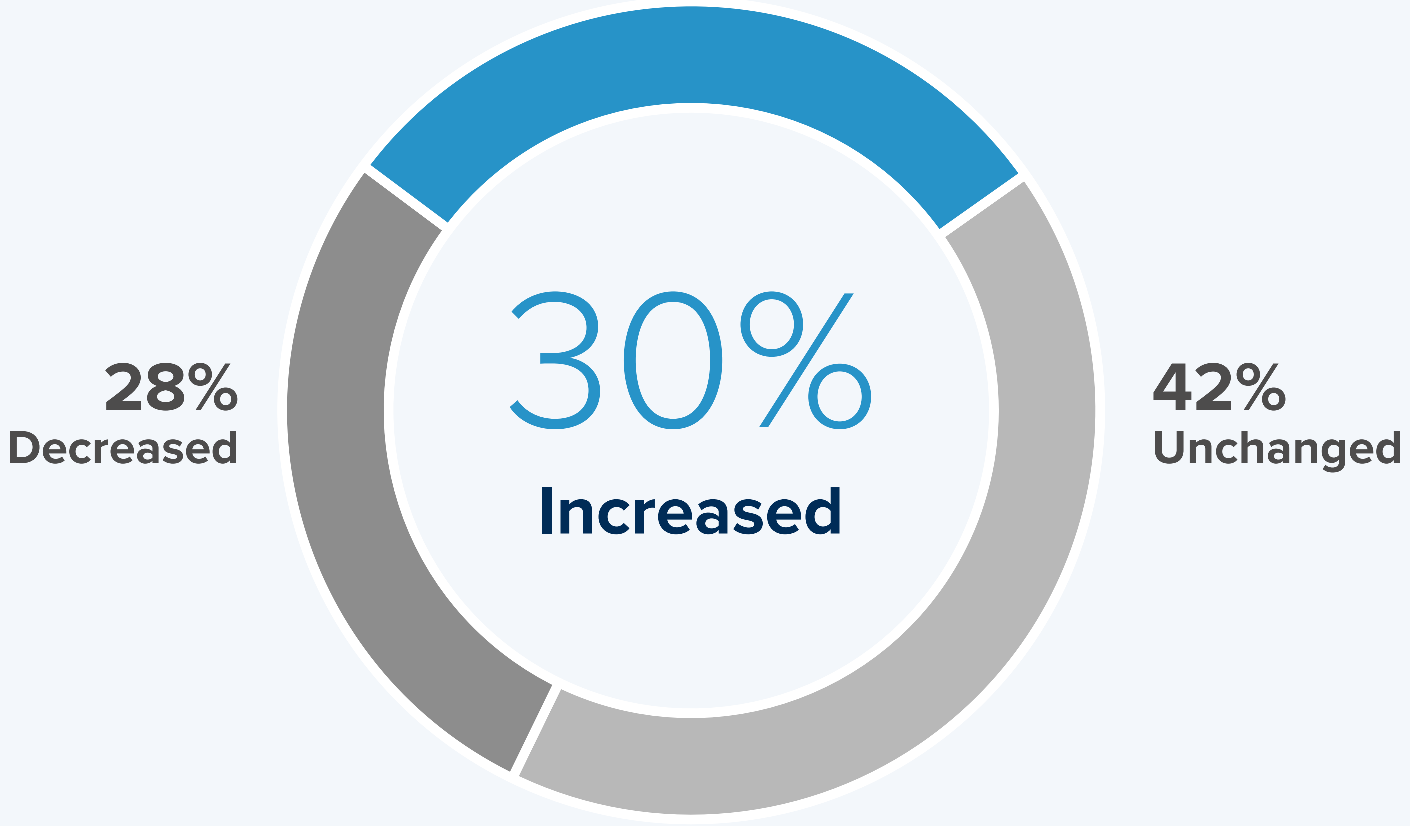
Poised and Quick to Advance

Millennial and Gen Z thin-file consumers are more likely to move up credit tiers and at a higher rate than older, thin-file consumers. The research data set revealed that 30% of millennial and Gen Zer thin-file consumers moved up credit tiers within two years compared to 22% of Gen X or older thin-file consumers.

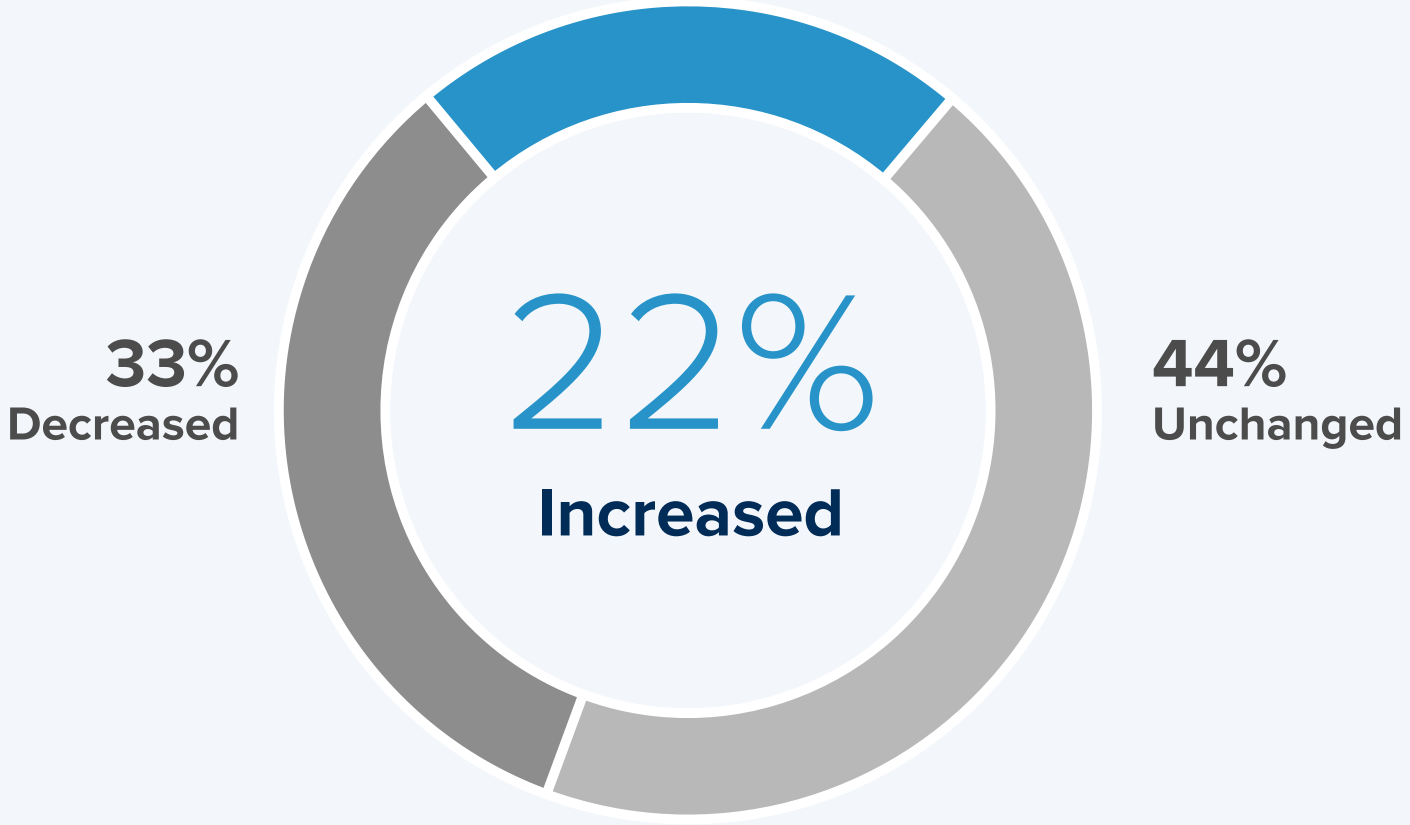
When reviewing thin-file consumers across generational cohorts, a higher percentage of millennial and Gen Z thin-file consumers improved their scores compared to those in older generations. In addition to moving up credit tiers, a higher percentage of millennial and Gen Z thin-file consumers transitioned to an established consumers.

THIN-FILE CONSUMER CREDIT TIER STATUS JUNE 2021 - JUNE 2023

Millennial and Gen Z



Gen X and Older



AVERAGE VANTAGESCORE® 4.0 OF THIN-FILE CONSUMERS THAT BECOME ESTABLISHED

Millennial and Gen Z

630 June 2021 → **644** June 2024

Gen X and Older

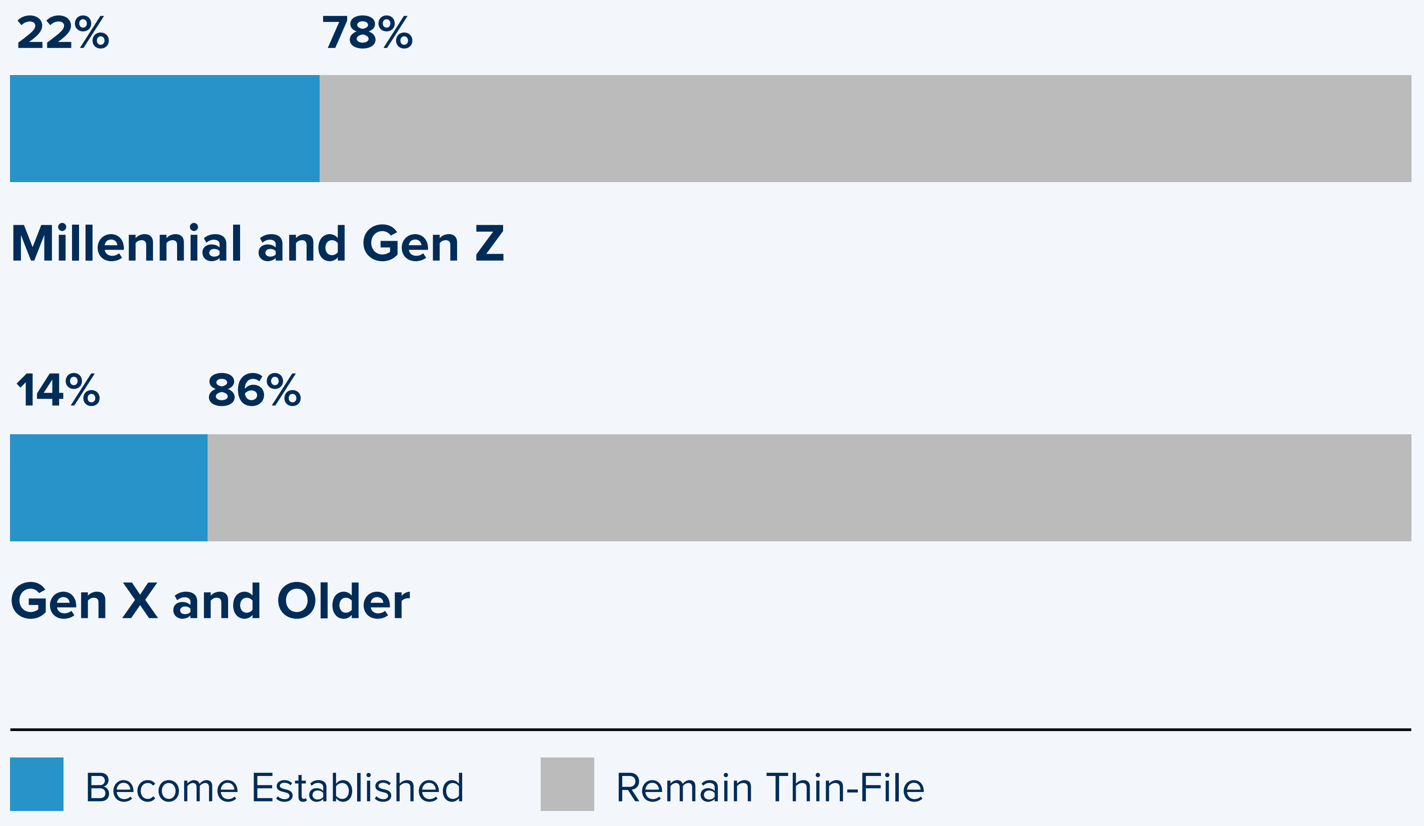
631 June 2021 → **637** June 2024

Twenty-two percent of millennial and Gen Z thin-file consumers became established consumers in two years, compared to only 14% of Gen X and older thin-file consumers. Additionally, the majority of newly established consumers also saw an increase in their VantageScore® 4.0, with millennials and Gen Zers gaining an average increase of 14 points, compared to an average increase of six points for newly established Gen X and older consumers.

Data also suggests that as millennials and Gen Zers rise along the credit ladder, they expand their credit profiles. After moving from thin-file to established consumers, 90% percent of millennials and Gen Zers maintained an automotive loan, and 90% also had a bank or credit card.

Multiple trade lines were more prevalent with millennials and Gen Zers who moved from thin-file to established consumers than those who moved to a lower credit tier.

PERCENTAGE OF THIN-FILE CONSUMERS WHO BECAME ESTABLISHED IN TWO YEARS



AVERAGE NUMBER OF YEARS FOR THIN-FILE CONSUMERS TO BECOME ESTABLISHED

2.62
Millennial and Gen Z

3.71
Gen X and Older

CREDIT TRADE LINES PRESENT ON ESTABLISHED FILES

90% Automotive

90% Bank / Credit Card

13% Student Loan

12% Unsecured

7% Mortgage

KEY TAKEAWAY

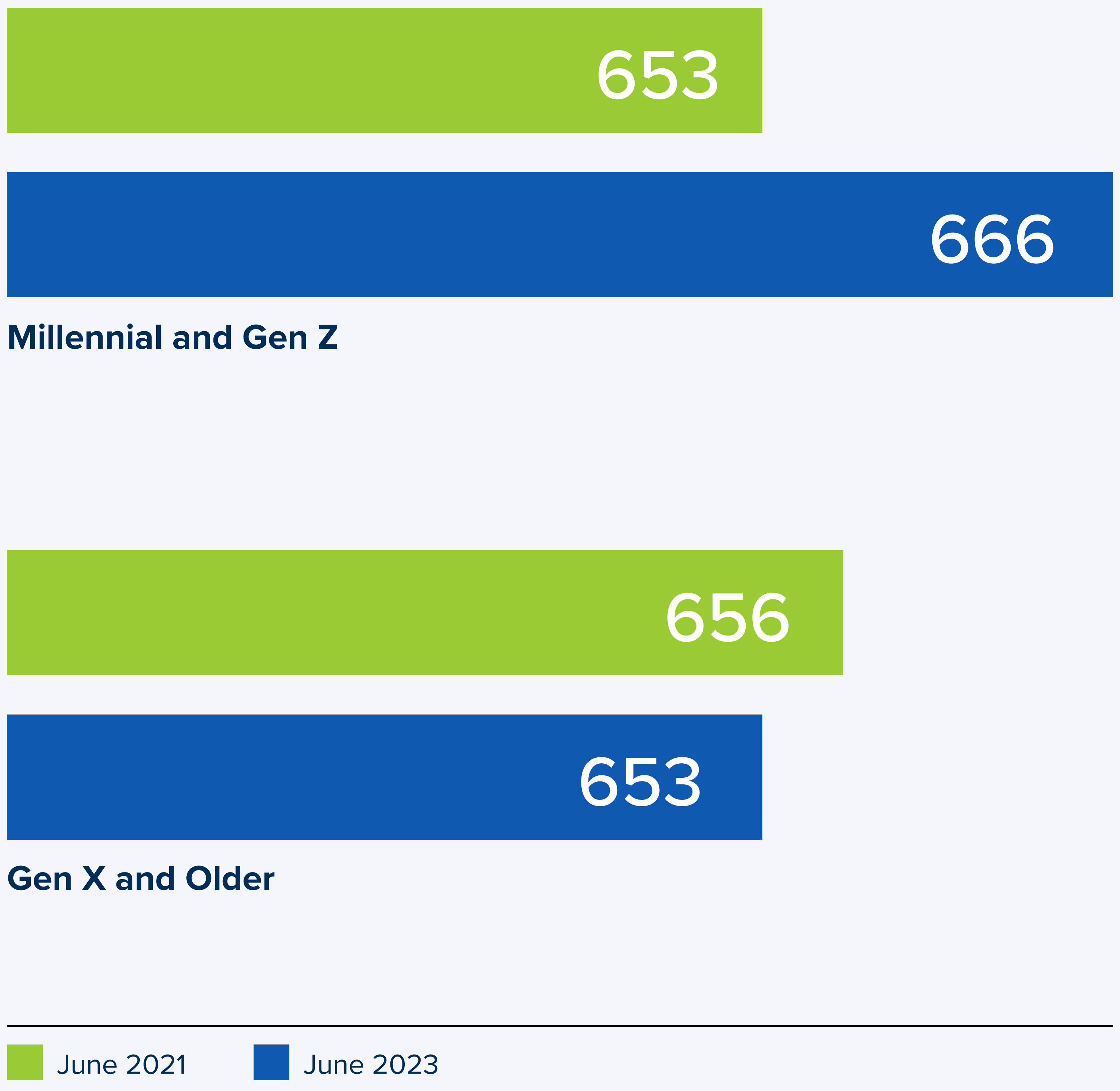
The data in this study suggests that when millennials and Gen Zers advance credit tiers, they do so quicker than older consumers. Once millennial and Gen Z consumers move to a higher credit tier, they continue to prioritize car loans and have the potential for upward score mobility and changes to their financial well-being.

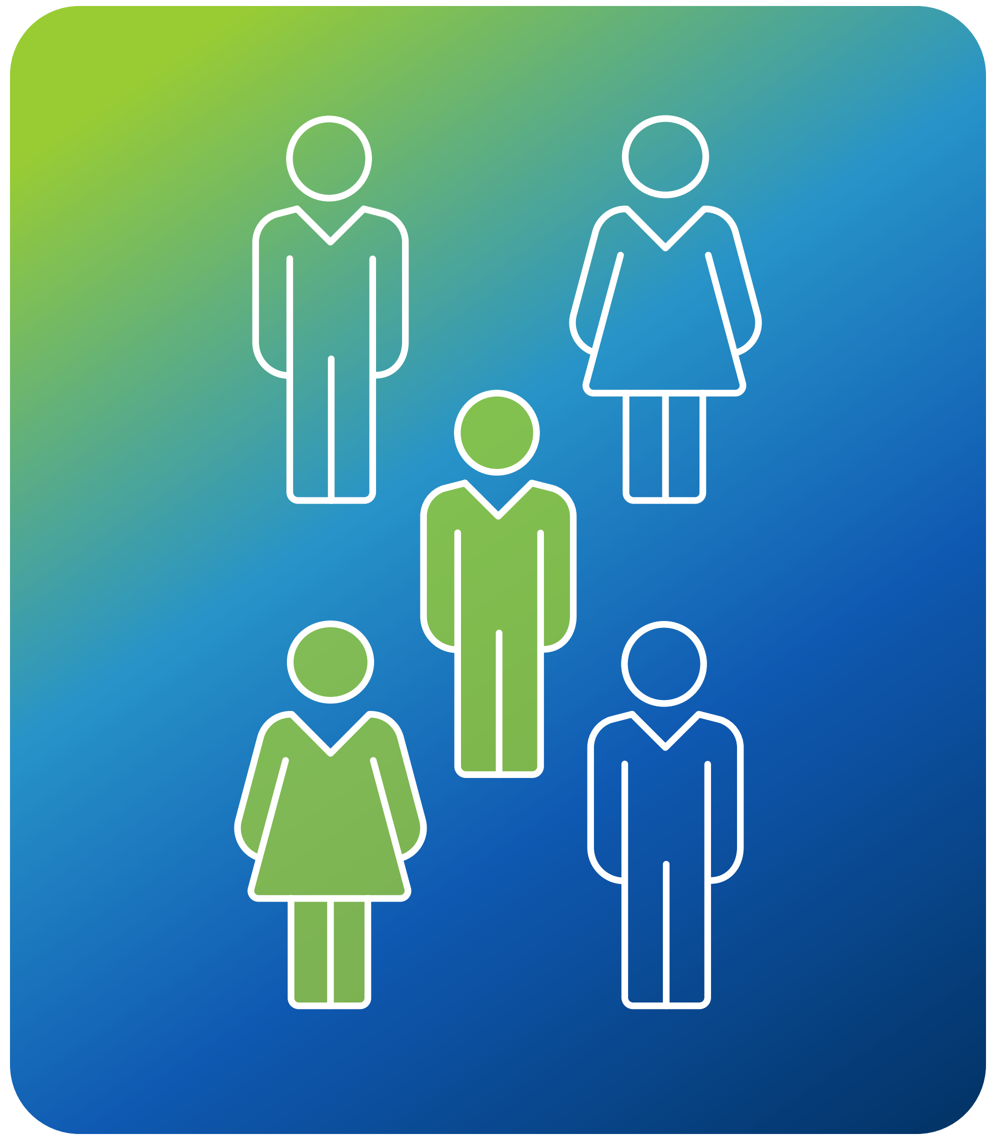
Loyal and Repeat Consumers

Data indicated that millennial and Gen Z thin-file consumers may be loyal to their financial institution and could return to an institution that served them previously. Two of every five millennial and Gen Z thin-file consumers who received an automotive loan at a bank or credit union returned to the same type of financial institution for their next product.

And, of these repeat consumers of banks and credit unions, millennials and Gen Zers saw an increase in their VantageScore® 4.0 by an average of 13 points over two years. In comparison, Gen X and older repeat consumers experienced a three-point decrease on average in their VantageScore® 4.0.

THIN-FILE CONSUMERS WHO OPENED NEXT PRODUCT AT SAME BANK OR CREDIT UNION





2 of every 5 millennial and Gen Z thin-file consumers **who get a car loan from a bank or credit union returned to the same type of institution for their next product.**

KEY TAKEAWAY

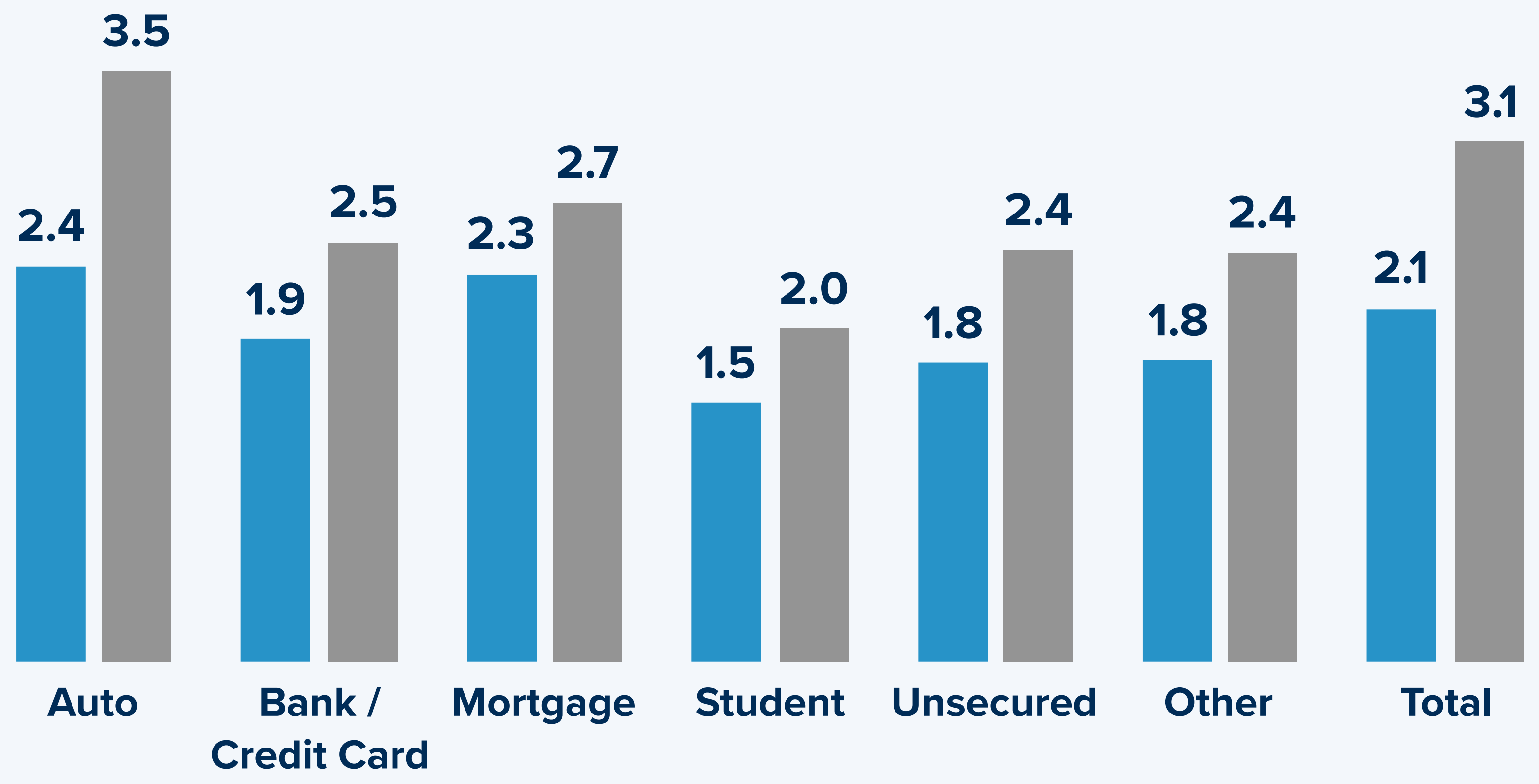
Our study showed that when millennial and Gen Z thin-file consumers return to the same type of lender for their next credit product, they may have higher credit scores and be open to other products. This segment brings value to financial institutions and presents an opportunity for lenders to enable their credit growth.

Car Loans Are Their Priority

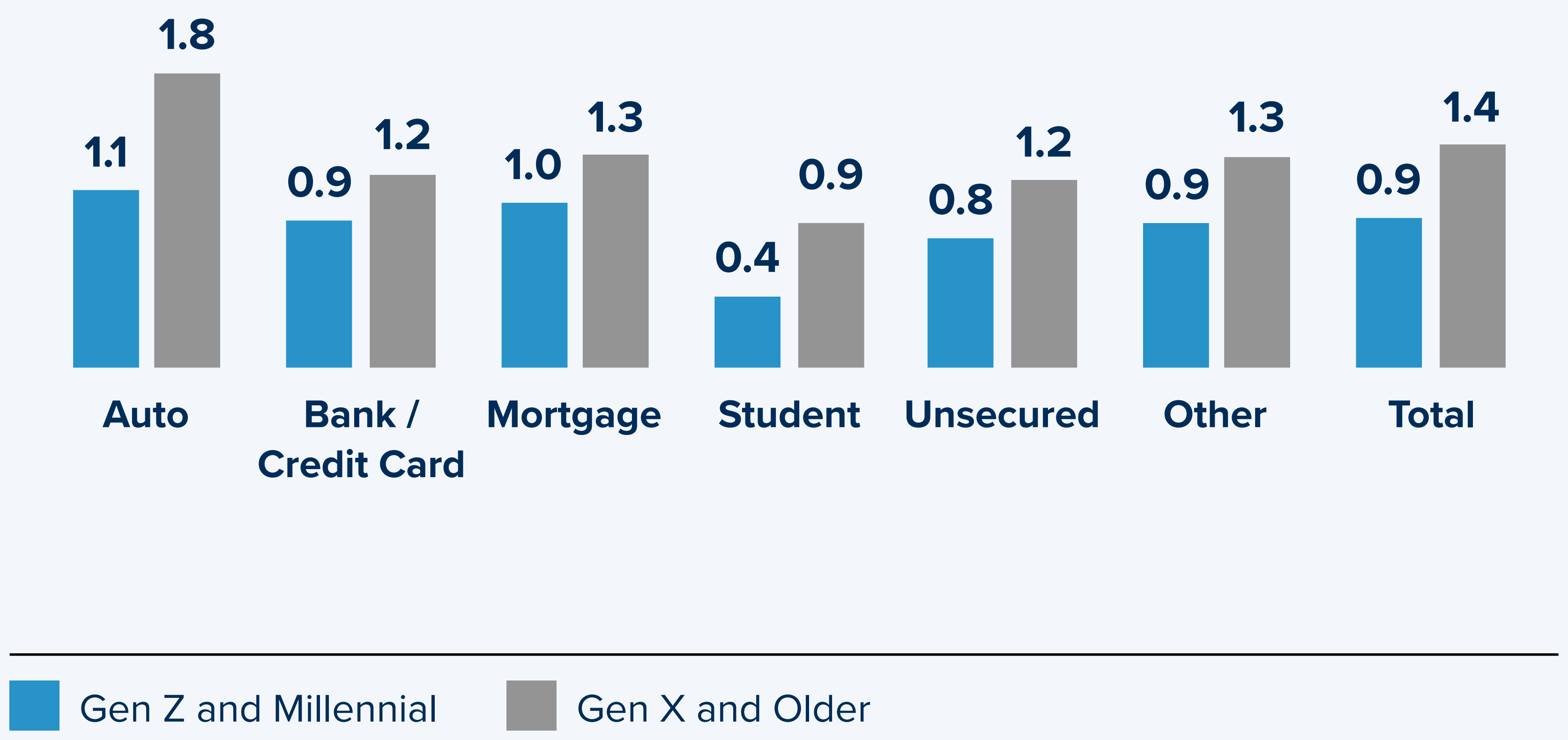
Car loans remain a priority across generations, evidenced by the fact that 74% of thin-file consumers across all age cohorts who open an automotive trade line as their second product are replacing an existing automotive loan or adding an additional vehicle. Further, an additional automotive loan is a thin-file consumer's most likely second credit product, followed by a bank or credit card.

Millennial and Gen Z thin-file consumers add subsequent credit products at a faster rate.

YEARS BETWEEN OPENING FIRST AND SECOND PRODUCT



YEARS BETWEEN OPENING SECOND AND THIRD PRODUCT

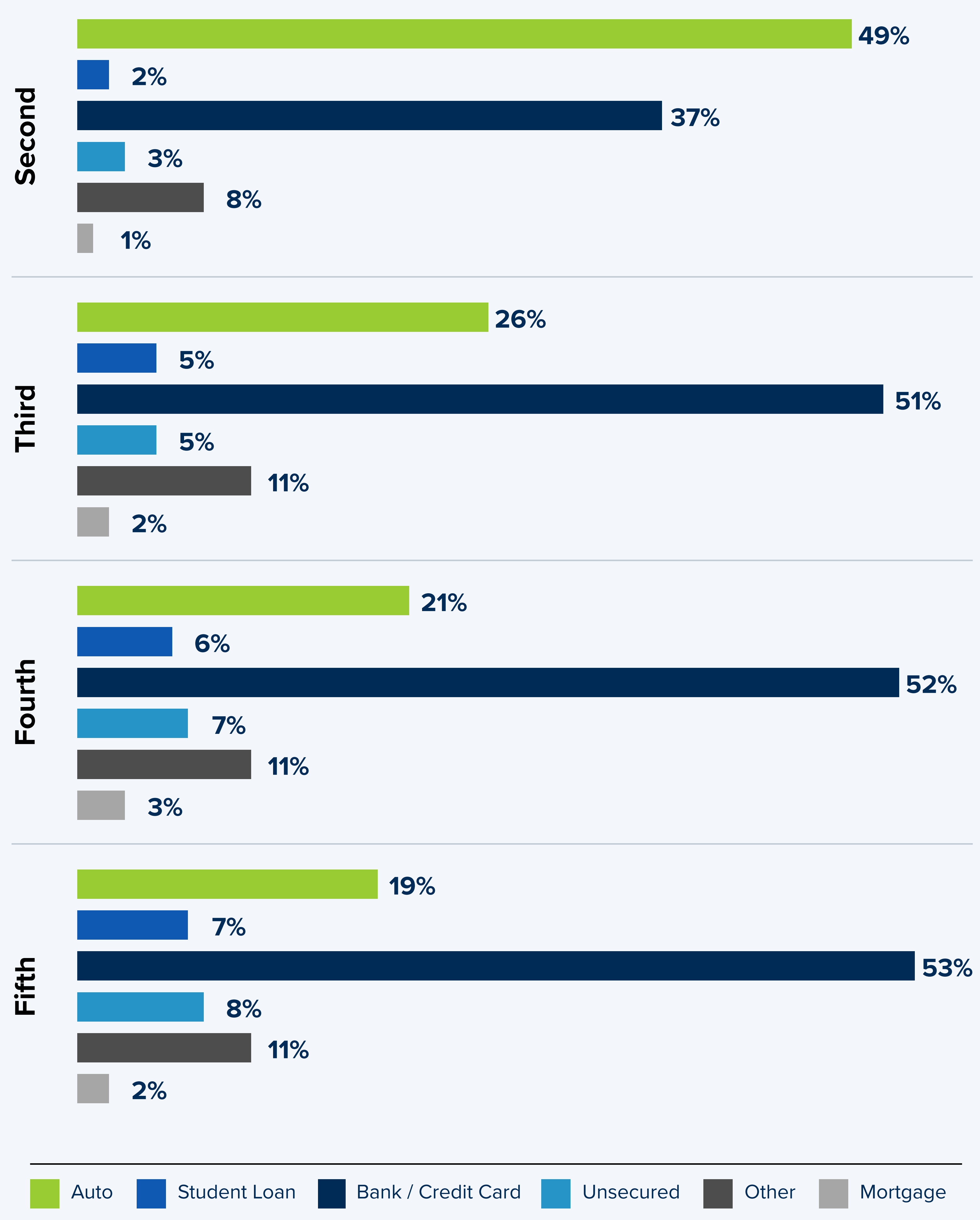


Millennial and Gen Z thin-file consumers are 33% less likely to be more than 60 days past due on automotive loans than Gen X and older thin-file consumers.

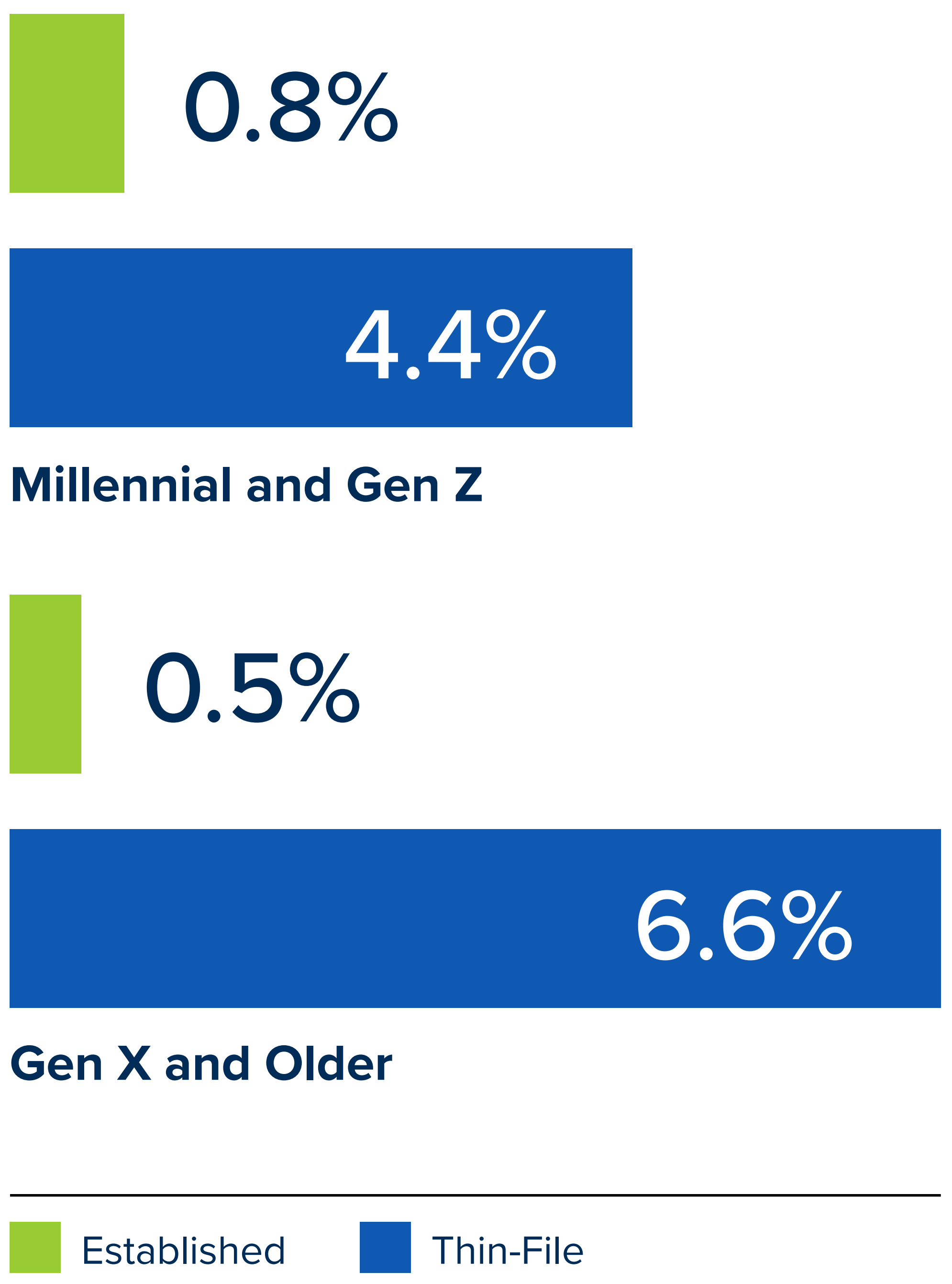
To qualify for this study, all thin-file consumers had to have at least one automotive trade line. The chart on the right shows the prevalence of different types of credit lines, including automotive and student loans, mortgages, bank and credit cards, and unsecured or other credit products.

49% of second products opened by thin-file consumers are automotive loans

THIN-FILE CONSUMER ORDER OF PRODUCTS



ACCOUNTS 60+ DAYS PAST DUE AS OF JUNE 2021



KEY TAKEAWAY

The data in this study suggests that millennials and Gen Zers (49%) gravitate toward automotive loans for their second credit product. Despite some financial institutions halting automotive lending services, opportunity will continue with thin-file consumers with a potential upward credit score trajectory.

BOTTOM LINE

Lending Enablement Solutions, like Open Lending's **Lenders Protection,™** provide a profitable pathway for lenders to serve more consumers who fall outside of the prime credit tier. Open Lending helps automotive lenders expand their borrower base and serve a more diverse group of consumers while managing risk and meeting or exceeding profitability targets. When lenders change how they view thin-file loans, they can serve more consumers with a long runway of potential value as they build their credit files and increase their credit scores. Implementing tools like lending enablement solutions helps ensure institutions meet the diverse financial needs of these thin-file consumers while also realizing the long-term value of serving them.

TransUnion

TransUnion is a global information and insights company with over 13,000 associates operating in more than 30 countries. We make trust possible by ensuring each person is reliably represented in the marketplace. We do this with a Tru™ picture of each person: an actionable view of consumers stewarded with care. Through our acquisitions and technology investments, we have developed innovative solutions that extend beyond our strong foundation in core credit into areas such as marketing, fraud, risk and advanced analytics. As a result, consumers and businesses can transact with confidence and achieve great things. We call this Information for Good® — and it leads to economic opportunity, great experiences and personal empowerment for millions of people around the world.

transunion.com/business

OpenLending

Open Lending (NASDAQ: LPRO) provides loan analytics, risk-based pricing, risk modeling, and default insurance to automotive lenders throughout the United States. For over 20 years, we have been empowering financial institutions to create profitable automotive loan portfolios with less risk and more reward.

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